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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

28 November 1959

DAILY BRIEF

I. THE COMMUNIST BLOC

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USSR: A new state security chief was appointed in Soviet Belorussia on 25 November, bringing to five the number of republics to which a new secret police chief has been assigned in the past two months. The new appointees, for the most part, are veteran security officials who have been sent out from important posts in the KGB apparatus in Moscow. In addition, two new deputy chairmen of the all-union KGB were appointed in October. This is the first sizable shake-up in KGB ranks since 1954. The shifts almost certainly reflect a drive by KGB chairman Aleksandr Shelepin to reorganize the secret police apparatus he took over from Ivan Serov a year ago. They may also be related in part to Moscow's annoyance at the persistent problems of nationalism and localism in the minority republics, where some ranking officials have been fired for placing local economic interests "above those of the Soviet state."

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II. ASIA-AFRICA

Laos: UN Secretary General Hammarskjold, in reporting on his recent trip to Laos, says he received impressions from ranking Laotian officials, including the new King, that the door is not closed to a detente with North Vietnam or to the return of the International Control Commission. These statements run counter to views expressed by Laotian leaders to American officials, and could represent some softening of the Lao position. They may, however, have been advanced to Hammarskjold to encourage him in his efforts to provide a UN presence and economic assistance for Laos.)

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Iraq: Although quiet prevails on the surface, there is uneasiness and maneuvering behind the scenes, according to the latest appraisal of the Iraqi situation by the American Embassy. The Iraqi economy is stagnant, unemployment and prices are high, agrarian reform is lagging, and the development program is bogged down. Aid from the bloc is unlikely to bring about early improvement. Prime Minister Qasim remains an enigma. Plotting by Nationalist elements and the Communists is likely to continue.

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28 Nov 59

DAILY BRIEF

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Ethiopia-USSR: Haile Selassie is reported to be considering a Soviet offer to provide financing and personnel to help carry out his ambitious agricultural development program. He discussed land reform with officials in Moscow last summer and at the time accepted a \$100,000,000 Soviet credit for economic development, including agricultural as well as industrial projects. The Emperor may hope the Soviet offer will attract increased Western--particularly US--interest in the program.

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III. THE WEST

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Cuba: The shake-up in high government posts on 26 November is a further step in the leftist trend that has been evident for the past three months. "Che" Guevara, named to head the National Bank, will now be in a position to implement his conviction that Cuban independence must be achieved by shifting trade patterns away from reliance on the United States. The new minister of public works, Osmani Cienfuegos, is probably a Communist. The officials replaced were relatively moderate, and the remaining moderates in the government, convinced that Cuba is rapidly heading for economic collapse and Communist takeover, will almost certainly be replaced.

NO

Panama: Anti-US demonstrations will probably take place on 28 November in spite of some recent lessening of tension. Panamanian student groups, civic organizations, political opportunists, and professional rabble rousers are continuing to plan demonstrations pressing for the right to fly the Panamanian flag in the Canal Zone and other US concessions. Long-time American residents in Panama say the undercurrent of anti-American feeling is stronger now than at any time within memory. Members of the weak De la Guardia administration are disturbed at the prospect of mob violence, which could turn against the Panamanian Government; they again may take no decisive action to prevent or control outbreaks.

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European Common Market: Sharp tensions between the European Economic Community (EEC or Common Market) and the newly formed European Free Trade Area (Outer Seven) are likely to be aggravated by determined French efforts to secure a preferred position for Saharan oil in the EEC. Under the French plan, EEC oil products not produced from Saharan and EEC crude would be subject to a special internal tax. British oil representatives and the American industry are concerned that their share of the EEC oil market will be greatly reduced if the French plan goes through. The British Government reportedly believes Paris will make major concessions to its EEC partners to secure adoption of the plan.) [redacted]

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II. ASIA-AFRICA

Hammarskjold's Impressions of Trip to Laos

UN Secretary General Hammarskjold, reporting on his trip to Laos after his return to New York, said he had received the impression from talking with Premier Phoui, King Savang, and other leaders that the Laotians were not unalterably opposed to the International Control Commission and would "welcome" its return if India would "play ball" by limiting ICC activities to border inspections at the Lao Government's request. Hammarskjold termed this idea unrealistic, but felt that it represented more flexibility concerning the ICC than he had anticipated.)

(On the subject of Lao-North Vietnamese relations, Hammarskjold said King Savang had told him that a cable received from President Ho Chi Minh on the occasion of Savang's recent accession to the throne was "just one of many in a chain of communications between the President and myself." The King was said to have described Ho's outlook as favoring discussions with him and looking on Laos as a friendly country. Savang told the secretary general, however, that he was unwilling to start negotiations at this time because Ho refuses to withdraw North Vietnamese troops and describes the Lao Government as "against the people." Hammarskjold regards the hitherto unpublicized communications between Ho and Savang as a favorable development.)

(Hammarskjold's impressions of Laotian attitudes on the return of the ICC and a possible detente with North Vietnam run counter to the views on these issues expressed by Lao leaders to American officials, and could represent some softening of their position. Any such softening might reflect confusion and discouragement over the conflicting counsel the Lao may feel they are receiving from friendly countries. These views may have been advanced to Hammarskjold, however, only to encourage him in his efforts to provide a UN presence and economic assistance for Laos.)

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CENTRAL INTELLIGENCE BULLETIN

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The Situation in Iraq

An air of uneasy calm prevails in Iraq, according to an appraisal by the American Embassy in Baghdad. Qasim's impending departure from the hospital is engendering a feeling that something will break very soon. Maneuvering between contending Communist and anti-Communist factions continues. The Communists appear to be disheartened by Qasim's failure to give them full backing, while Arab nationalists resent his support of many pro-Communist policies and of the execution of Arab nationalist officers last September. Moderates are fearful of the Communists and discouraged by Qasim's failure to provide the country with effective leadership and guidance.

The Iraqi economy is stagnant, and unemployment, already high, is increasing, as are prices. Political uncertainties have put a damper on investments. The important development program is bogged down because of inadequate planning and the almost total lack of competent technicians in the government to carry it out. The highly publicized agrarian reform program is lagging, the crops this year have been poor, and little improvement is in sight for 1960. Soviet bloc economic assistance appears unlikely to bring about any early improvement in the country's economic situation.

Qasim's recent utterances have degenerated to near incoherency, while his messianic complex seems to have grown, according to the American Embassy. His personal popularity has dropped greatly, and his exhortations to the people seem to have less effect. [redacted]

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Ethiopia Considering Soviet Aid for Agricultural Program

Ethiopia's Emperor Haile Selassie is reported considering a Soviet offer to assist his ambitious agricultural development program. The Emperor discussed land reform with officials in Moscow last summer and at that time accepted a \$100,000,000 Soviet line of credit, part of which presumably will be utilized to develop Ethiopia's primitive but potentially rich agricultural resources.

The Emperor, who has long sought to modernize agriculture in Ethiopia and thereby increase the living standard of his 16,-000,000 subjects, first announced the development program on 28 August following his return from visits to Moscow and Prague. A major item in the program, which is still in the formulation stage, would make available 50,000,000 acres of government-owned land on both a cooperative and an individual settlement basis. The program apparently also envisages providing the services of agricultural technicians and government-sponsored experimental farm projects, in addition to liberal credit terms both for purchasing land and for securing technical advice.

While Moscow is anxious to begin implementation of its economic aid agreement with Ethiopia, it is unlikely that the Soviet Union has offered to finance and assume responsibility for the whole land reform program. The USSR probably has offered, however, to furnish agricultural equipment and technical assistance. Haile Selassie, aware of Western concern over Soviet aid to Ethiopia, may hope the offer will attract increased Western--particularly US--interest.

The composition of the Soviet delegation now in Addis Ababa indicates that Moscow probably will also offer to aid Ethiopia in exploiting its gold mines and in constructing an oil refinery. The Soviet credit will probably also be used to develop light industry, including such projects as a pharmaceutical plant.

A Czech mission which arrived in Addis Ababa on 5 November is discussing with Ethiopian officials implementation of an economic aid credit reportedly amounting to \$20,000,000. [Redacted]

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III. THE WEST

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Cuban Government Changes Increase Leftist Power

The shake-up in high government posts on 26 November is a further important step in the leftist trend that has been accelerating in Cuba for the past three months. Ambassador Bon-sal sees it as stressing Fidel Castro's commitment to extreme leftist policies and his growing receptivity to guidance by Communist-oriented elements.

Ernesto "Che" Guevara, new head of the National Bank, now will be in a position to determine the allocation of foreign exchange and thus implement his precept that to achieve true independence Cuba must shift the pattern of its trade away from dependence on the United States. He laid the basis for expanded trade contacts during a three-month trip last summer to nine Afro-Asian countries and Yugoslavia. Guevara is likely also to be instrumental in implementing Castro's long-planned nationalization of private banking in Cuba. The 31-year-old Guevara, an Argentine by birth, is one of the 12 survivors of Castro's original landing force that launched the two-year guerrilla war. Castro relies heavily on him for advice. Guevara's economic knowledge is basically weak and colored by his concept of the Cuban revolution as a class struggle in which the government, in alliance with the peasant and worker classes, must "change the economic panorama" of the country and its social system.

The new minister of public works, Capt. Osmani Cien-fuegos, is probably a Communist. He has served since last March as director of the Cuban Army's indoctrination program. The new minister for the recovery of misappropriated assets, Lt. Commander Rolando Diaz, is a naval officer of unknown political orientation.

The three officials replaced are relative moderates. The remaining moderate officials, including the ministers of finance and communications, have lost virtually all influence and are almost certain soon to be replaced. They are convinced that Cuba is rapidly headed for economic collapse and a Communist take-over. [REDACTED]

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French Petroleum Plan Likely to Aggravate European Rivalries

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(Existing tensions between the European Economic Community (EEC or Common Market) and the newly formed European Free Trade Area (Outer Seven) led by Britain are likely to be aggravated by determined French efforts to secure a preferred position for Saharan oil in the EEC. Like the American oil industry, British oil representatives are concerned that the French plan will greatly diminish their share of the EEC oil market, and London reportedly believes Paris is prepared to play "trump cards" to secure its objectives.)

(Under the EEC treaty, crude oil, as a raw material, is not subject to a tariff. Paris now is suggesting that the member countries levy an internal tax on petroleum products refined from "non-Community" crude. To take account of the EEC's requirements for crude of various types, the tax system would operate after exclusion of a tax-free quota at least equal to the gap between EEC oil production and consumption needs.)

(France appears to be making headway in selling the plan to its EEC partners. Paris is rumored willing to offer to support Brussels' desire to become the EEC "capital" in return for Belgian support for this proposal. The Dutch have hinted they might be "forced" to accede to the French plan if offered concessions on agricultural exports to France. West Germany's position will probably be determined largely by the present close political ties between Bonn and Paris--and perhaps by the fact that utilization of Saharan crude (which is high in gasoline content but low in fuel oil) could have some advantages for the Ruhr's hard-pressed coal industry. Although a responsible Rome official has said Italy could not accept the plan because Italian refineries use non-EEC crude, the French may be willing to make exceptions for crude produced in areas in which EEC countries have a financial interest.) [Redacted]

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